



Itel Rail Corporation

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San Francisco, CA 94133
(415) 984-4000
(415) 781-1035 Fax

9-256A019

16517/1
RECORDATION NO. FILED 1428

Hon. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423

SEP 13 1989 - 1 10 PM

INTERSTATE COMMERCE COMMISSION

Re: Schedule No. 1 to Master Lease Agreement dated August 24, 1989, between Itel Rail Corporation and Lake Erie, Franklin and Clarion Railroad Company

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in three (3) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the \$13 recordation fee.

Please record this Schedule under the Master Lease Agreement dated August 24, 1989, between Itel Rail Corporation and Lake Erie, Franklin and Clarion Railroad Company, which is being filed with the ICC simultaneously this date.

The parties to the aforementioned instrument are listed below:

Itel Rail Corporation (Lessor)
55 Francisco Street
San Francisco, California 94133

Lake Erie, Franklin and Clarion Railroad Company (Lessee)
P.O. Box 689
Clarion, Pennsylvania 16214

This Schedule adds to the Master Lease Agreement eighty (80) 3,433 cubic foot, HT hopper cars bearing reporting marks LEF 2500-2579.

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

Patricia Schumacker
Legal Assistant

SEP 13 1989 - 1 10 PM

INTERSTATE COMMERCE COMMISSION

SCHEDULE NO. 1

ITEL RAIL CORPORATION as successor in interest to both

THIS SCHEDULE No. 1 ("Schedule") to that certain Lease Agreement, (the "Agreement") made as of August 21, 1989 between ITEL RAIL CORPORATION and ITEL RAILCAR CORPORATION, severally, as lessors, and LAKE ERIE, FRANKLIN AND CLARION RAILROAD COMPANY, as lessee ("Lessee") is made this 21st day of August, 1989, between ITEL RAIL CORPORATION ("Lessor") and Lessee.

Lessor and Lessee agree as follows:

- I. All capitalized terms defined in the Agreement shall have the meanings defined therein when used in this Schedule No. 1, except that the term "Cars" as used herein shall only refer to the equipment described in this Schedule unless otherwise indicated.
- II. Lessor hereby leases the following Cars to Lessee subject to the terms and conditions of the Agreement and this Schedule:

AAR Mech	Description	Numbers	Length	Dimensions		Doors Width	No. of Cars
				Inside Width	Height		
HT	3433 cubic feet, triple open top, hoppers	LEF 2500- 2579	45'	9'9"	n/a	n/a	80

3. The term of the Agreement with respect to each Car described in this Schedule shall commence ("Delivery") at 12 noon on August 1, 1989, and shall continue as to all of the Cars described in this Schedule through and including July 31, 1990 (the "Term").
4. Lessee agrees to pay the rent set forth in the Agreement, notwithstanding the fact that Lessee may not have immediate physical possession of the Cars leased hereunder.
5. Lessee shall perform the registration and record keeping required for the Cars described in this Schedule, as described in Section 4 of the Agreement. Lessee shall register each Car in UMLER placing the letters designated by Lessor in owner's field in such a manner that Lessor, or its agent, is allowed access to any required information including but not limited to Train 62 Junction Advices and the Train 65, 67, 71 and 80 Advices with regard to each Car. If Lessee fails to register or improperly registers any Car in UMLER, Lessee shall be responsible for an amount equal

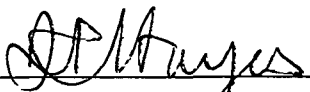
to the revenues that would have been earned by such Car had it been properly registered in UMLER.


6. Lessee shall perform or cause to be performed and shall pay all costs and expenses associated with the maintenance of the Cars described in this Schedule. Subsection 5.B. of the Agreement shall not apply with respect to such Cars.
7. Lessor agrees to reimburse Lessee, within thirty (30) days of Lessor's receipt of the receipted copy of the paid tax bill, for all taxes actually paid in cash by Lessee resulting from: 1) ad valorem tax assessments on the Cars; and 2) any assessment, levy or impost relating to any Car, the Agreement, or the delivery of the Cars, which remained unpaid as of the date of the delivery of the Cars to Lessee or which is assessed, levied or imposed during the term of the Agreement, except taxes on income or gross receipts imposed on Lessee or sales or use tax imposed on mileage charges, car hire revenue, or the proceeds of the sale or lease of the Cars. Lessor and Lessee will comply with all state and local laws requiring filing of ad valorem returns associated with the Cars. Notwithstanding any portion of this Section, Lessor shall not be responsible for penalty or interest assessments resulting from Lessee's failure to comply with any regulation or statute of any taxing or assessing authority. Lessee shall forward to Lessor upon receipt all correspondence, notifications of proposed tax assessments and tax bills associated with any tax reimbursable by Lessor. Lessor may, in good faith and by appropriate proceedings, contest any assessment, notification of assessment or tax bill. Lessor shall assume full responsibility for all expenses, including legal fees, resulting from such contest.
8. A. The fixed rent ("Fixed Rent") shall be
for each full calendar month
("Month") during the Term. The Fixed Rent for any Car which is not
subject to the Agreement for an entire Month shall be prorated at
per day for such Car during
such Month. The Fixed Rent shall be due and payable regardless of
any claimed abatement, reduction or offset, except as otherwise
provided herein.
B. Lessee shall pay to Lessor the Fixed Rent, and all taxes reimbursable
to Lessor as additional rent hereunder, on the first day of each
month during the Term.
9. A. Lessee agrees to defend, indemnify and hold Lessor harmless from
any and all claims, liabilities, losses, damages, costs and expenses
(including attorneys' fees) caused by, arising out of, or in
connection with the Cars, including the use, possession, operation,
maintenance and leasing of the Cars (collectively, "Damages"), except
for any Damages which arise solely from Lessor's negligence.

- B. Lessor agrees to indemnify and hold Lessee harmless from any Damages which arise solely from Lessor's negligence.
- C. The indemnities and assumptions of liability contained in this Agreement shall survive the expiration or termination of the Agreement.
10. Upon the expiration or termination of the Agreement with respect to the Car(s) described in this Schedule, if some or all of the Cars are to be delivered to Lessor at Lessee's railroad tracks, Lessee shall be responsible for any transportation costs incurred in moving such Cars to said tracks subsequent to the time of expiration of this Agreement as to the Cars. Lessee shall, at Lessor's option, provide up to thirty (30) days' free storage on its railroad tracks for any Car which is either on Lessee's railroad tracks at expiration or is subsequently returned to Lessee's railroad tracks. Said one thirty (30) days shall run either from expiration or from the date such Car is returned to Lessee's railroad line subsequent to expiration, whichever date is later. If requested to do so by Lessor, Lessee shall, at Lessor's option, either move a remarked Car to an interchange point on Lessee's lines selected by Lessor or use its best efforts to load the remarked Car with freight and deliver it to a connecting carrier for shipment. For the Cars described in this Schedule, Section 11.B. shall mean the condition of the Cars as when delivered to the Lessee under the lease agreement dated as of January 3, 1977 between ITEL Rail Corporation, as successor in interest to SSI Rail Corporation as lessor, and Lake Erie, Franklin & Clarion Railroad Company, as lessee,
11. Except as expressly modified by this or any other Schedule, all terms and provisions of the Agreement shall remain in full force and effect with respect to all Cars subject to the Agreement.
12. This Schedule may be executed by the parties hereto in any number of counterparts, and all counterparts taken together shall be deemed to constitute one instrument.

ITEL RAIL CORPORATION

LAKE ERIE, FRANKLIN AND CLARION
RAILROAD COMPANY

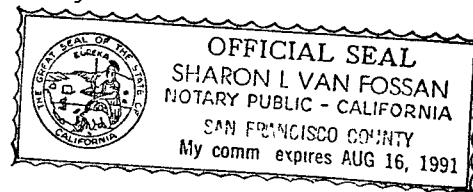
By: 
Title: President & Chief Executive Officer
Date: August 21, 1989

By: 
Title: President
Date: Aug 10, 1989

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 21st day of August, 1989, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President and CEO of Itel Rail Corporation, that the foregoing Schedule No. 1 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Sharon L. Van Fossan
Notary Public



STATE OF PENNSYLVANIA)
) ss:
COUNTY OF CLARION)

On this 10th day of August, 1989, before me personally appeared W. Craig Smith, to me personally known, who being by me duly sworn says that such person is President of Lake Erie, Franklin and Clarion Railroad Company that the foregoing Schedule No. 1 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Marilyn L. Smerkar
Notary Public

